ORIGINAL

NEW APPLICATION



1	Richard L. Sallquist, Esq. (002677) SALLQUIST, DRUMMOND & O'CONNOR, P.C.	RECEIVED
2	4500 S. Lakeshore Drive, Suite 339	
	Tempe, Arizona 85282	2001 OCT -1 P 1: 06
3	Telephone: (480) 839-5202	
	Fax: (480) 345-0412	M4 CORP COMMISSION
4	Attorneys for Valley Utilities Water Company, Inc.	AZ CORP COMMISSION DOCKET CONTROL
5	BEFORE THE ARIZONA CORPO	DRATION COMMISSION W-01412A-07-0560
	IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01412A-07
6	VALLEY UTILITIES WATER COMPANY,) DOCKET 140. W-01412A-0/
7	INC. FOR AN EMERGENCY RATE) EMERGENCY RATE INCREASE
'	INCREASE AND AUTHORITY TO) APPLICATION
8	IMMEDIATELY IMPLEMENT A WELL) AND
١	SURCHARGE.	REQUEST FOR
9	John Mod.	EXPEDITED HEARING
)
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	Valley Utilities Water Company, Inc. ("Va	lley" or the "Company"), by and through
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	undersigned counsel, respectfully states the following	g in support of this Application:
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	1. Valley is a corporation duly organized a	and existing under the laws of the State of
13		Descrit David Scrite 112 Claudala Arizana
14	Arizona. Its principal place of business is 6808 N.	Dysart Road, Suite 112, Glendale, Arizolia
14	85307.	
15	83307.	
	2. Valley is a public service corporation print	marily engaged in the business of providing
16	2. Takey to a position of the control of the contro	1
	water utility service in its certificated area in portions	s of Maricopa County, Arizona.
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	3. Valley is presently operating under rates	and charges authorized by the Commission
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	in Decision No. 68309, dated November 14, 2005.	
19	4 77 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	A
20	4. Valley, in this Application (the "Emo	ergency Application) seeks Commission
20	approval of an emergency increase in the rates and	charges it is authorized to collect form its
21	approval of all efficiency increase in the rates and	charges it is authorized to concer form its
_1	customers for water service provided in its authorize	ed service area, such increase in the form of
22	outlines for water between provided in the daments.	
	a monthly Well Surcharge to each customer.	Arizona Corporation Commission
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- 5. In 2003, the Company added to its system a new 12 inch in diameter, 810 foot deep well, designed to produce 425 GPM. That full production was needed to serve the new Stardust Subdivision that was added to the Company's certificated area. The well commenced production at less than the needed output, but despite the Company spending over \$150,000 in remedial work on the well, it has never provided its target production. On August 24, 2007, suddenly and without warning, production dropped from 350 GPM to 65 GPM. The well has now been taken out of service.
- 6. This well failure and the problems with other wells, reduces the Company's total available production to approximately 920 GPM. Even with the Company's over 1,000,000 gallons storage capacity, this production level is not sufficient to meet summer peak demands of the Company's 1,400 customers. With the additional subdivisions in process, the Company expects to serve additional customers before its summer 2008 peak demand. Attached as **Exhibit 1** is an Engineering Data Sheet demonstrating the Company's demands for the last twelve months, and an inventory of the Company's production and storage capacities. In attempts to avoid just such an emergency, in 2002 the Company entered into an "Emergency Supply Agreement" whereby a neighboring utility, Litchfield Park Service Company ("LPSCO"), would provide emergency back-up supply. LPSCO has provided approximately 1,000,000 gallons of water during the term of that agreement, but as recently as August 24, has advised the Company that due to its own operational issues it cannot provide Valley with any additional water. The adjacent municipal provider, City of Glendale, will not, despite numerous requests from Valley, enter into any type of emergency supply agreement. Although the Company is in the process of finalizing a Central Arizona Project Water Subcontract for 250 acre feet of water per year, the actual delivery, treatment, and use of that water by the Company

- 7. Attached hereto as **Exhibit 2** is the prefiled testimony of Robert L. Prince, the President of the Company, explaining how the Company arrived at this emergency situation, providing the history of the well and the impact of its failure on the Company and its customers, setting forth the Company's only solution to this critical supply issue, and describing the Company's immediate need for rate relief.
- 8. This sudden failure, and the Company's shortage of water production capacity, clearly constitutes an emergency as described in the Arizona Attorney General Opinion 71-17, dated May 25, 1971. That Opinion defines an emergency justifying interim rate relief as any one of the following situations:

"The foregoing authorities make it clear that, in general, courts and regulatory bodies utilize interim rates as an emergency measure [1] when the sudden change brings hardship to a company, [2] when the company is insolvent, or [3] when the condition of the company is such that its ability to maintain service pending a formal rate determination is in serious doubt.

In addition, under the *Mountain States Telephone* case, *supra*, [4] the inability of the Commission to grant permanent rate relief within a reasonable time would be grounds for granting interim relief." Numbering and emphasis added. Opinion at page 50.

9. Although under the Attorney General's analysis only one of the conditions needs to exist, Valley meets <u>all</u> four of the criteria set forth in the Attorney General's Opinion as emergency conditions justifying interim rate relief.

93055.00000.326

[1] Sudden change brings hardship to the company. Clearly this catastrophic failure resulting in insufficient capacity to serve its existing and future customers is a hardship to the Company, and more importantly, to its customers. One must ask what could make the Company's ability to fulfill its Certificate of Convenience and Necessity obligations more difficult than the loss of a major well?

[2] The company is insolvent. Note that the Attorney General's Opinion favorably cited the Nebraska Supreme Court opinion referencing the Nebraska Commission's ruling that emergency rates would not be justified: "... except as a condition is shown which, if not relieved from, will imperil the property of the company and its service to the public, such as might subject the company at once to proceedings in bankruptcy or receivership..." and that the interim rates "... would make the company secure against possible insolvency." Emphasis added. Opinion at 50, citing *Omaha & Council Bluffs Street Railway Co. v. Nebraska City Railway Commission*, (1919) 173 N.W. at 691 and 692. The cost of the New Well, plus the reduced revenue from the lost sales, if not relieved from, is clearly a condition that "might subject the Company at once to proceedings in bankruptcy...".

[3] The Company's ability to maintain service is in serious doubt. There is no doubt, without the New Well, the Company will not be able to meet its customers demands. Without the Well Surcharge and financing authority requested in these two applications, the Company can not construct a New Well.

[4] Timely rate relief. Assuming the Company could prepare a fully "sufficient" rate application within 60 days, this Class B company application would require an additional 360 days to process under Commission Rules. That time table will clearly not permit the

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Company to obtain financing for, and construction of, the New Well before the summer 2008 peak demand.

- 10. In a Financing Application filed in a separate docket of even date herewith, Valley has requested Commission approval to enter into a Revolving Line of Credit with a commercial bank for up to \$250,000 for the propose of drilling the New Well. The Line of Credit is expected to have terms that include an interest rate not to exceed nine percent (9%) annually, with monthly interest payments. That Application also requests the Commission's authority to pursue a WIFA loan as the permanent, long term financing of the New Well.
- 11. Attached hereto as Exhibit 3 and incorporated herein by this reference for all purposes is the Surcharge Computation. The Well Surcharge is designed to recover the interest cost under the Line of Credit during the term of that Line of Credit and, following the retirement of the Line of Credit, recovery of a portion of the loan payment obligations under the WIFA loan prior to the Commission's ruling in the Plenary Rate Case Application, as described below. The Company will maintain a separate accounting of the Well Surcharge revenues, and will pay only the Line of Credit and WIFA payments from that account. The Company will report collections and disbursements to the Utilities Division as required by the Commission. At the time the Commission sets new rates in the Plenary Rate Case Application, any positive balance that may exist in the Well Surcharge account will be applied to the WIFA principal balance, or is the Commission otherwise directs.
- 12. With the New Well expected to go into service in the second quarter of 2008, and after several months of actual operating experience with the New Well, the Company proposes to file a Plenary Rate Application in June, 2009, using calendar year 2008 as the Test Year.

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- 13. Attached hereto as **Exhibit 4** and incorporated herein by reference for all purposes, are Valley's compiled financial statements as of December 31, 2006.
- 14. Valley will provide notice of the filing of this Application in the form attached as **Exhibit 7** and incorporated herein by this reference, or in such other form as ordered by the Hearing Division or Commission.
- 15. The Company has today filed in both dockets a Motion to Consolidate this Emergency Rate Increase and Well Surcharge Implementation Application with the Financing Application filed of even date herewith.
- 16. Due to the emergency nature that prompted this Application, and the substantial time and critical path required to remedy the well failure associated with completion of construction of the New Well before the 2008 summer peak demand period, the Company respectfully requests that the Commission, Staff, and Hearing Division expedite this matter to accommodate a November Hearing date and December Decision granting the requested financing and implementation of the Well Surcharge.

WHEREFORE, Valley requests that the Commission make such inquiry or investigation that the Commission may deem necessary and appropriate, set the matter for an expedited evidentiary hearing and thereafter authorize a Well Surcharge as requested herein.

Respectfully submitted this _____ day of October, 2007.

SALLQUIST, DRUMMOND & O'CONNOR, P.C.

Richard L. Sallquist

4500 S. Lakeshore Drive, Suite 339

Tempe, Arizona 85282

Attorneys for Valley Utilities Water Company, Inc.

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	Original and ten copies of the
2	foregoing filed this day
	of Octobver, 2007, with
3	Docket Control
4	Arizona Corporation Commission
7	1200 West Washington
5	Phoenix, Arizona 85007
	, ST
6	Copies of the foregoing Hand Delivered this
	day of October, 2007 to:
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	Hearing Division
8	Arizona Corporation Commission
9	1200 West Washington
9	Phoenix, Arizona 85007
10	Legal Division
-	Arizona Corporation Commission
11	1200 West Washington
	Phoenix, Arizona 85007
12	
	Utilities Division
13	Arizona Corporation Commission
	1200 West Washington
14	Phoenix, Arizona 85007
15	Engineering Division
	Arizona Corporation Commission
16	1200 West Washington
	Phoenix, Arizona 85007
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LIST OF EXHIBITS

1		LIST OF EXHIBITS
2		
3	EXHIBIT	DESCRIPTION
4	1	ENGINEERING DATA SHEET
5	2	ROBERT L. PRINCE PREFILED TESTIMONY
6	3	SURCHARGE COMPUTATION
7	4	FINANCIAL STATEMENTS
8	5	NOTICE OF PUBLICATION
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WATER USE DATA SHEET

NAME OF COMPANY	Valley	Utilitiesh	h	e	10 Tou
ADEQ Public Water System Number:		1			- de s

		<u> </u>	
MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. August, 2007	1422	33,029,740	34,666,640
2 July 2007	1422	38, 436, 430	39.344.320
3. June , 2007	1418	33.800.310	32, 847, 630
4. May, 2007	1420	33,924, 920	33,902,950
5. April, 2007	1413	24,592,160	26,536,900
6 March, 2007	1415	19,837,880	20, 921, 980
7 February 2017	1419	21,750,660	22, 604, 630
8. January, 2007	1413	21,152,420	20,733,230
9. December, 2006	1418	18,713,260	19,780,630
10. November 2006	1417	24.406.430	24, 294, 180
11. October, 2006	1420	30,577,362	32,642,030
12 Se ptember 1886	1419	26,1035,243	29,1082,350
IUIAL	IN VALUE OF	326,836,835	<i>337,957,470</i> ^ _

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

YES NO

If Yes, please provide the GPCD amount:

Note: If you are filing for more than one system, please pro vide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

* Gallons pumped cannot equal or be less than the gallons sold.

COMPANY NAME	VALLEY UTILITIES WATER CO., INC.
Name of System	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
#1 55-639720	25	75	650	12	3	1942
#2 55-639721	30	125	650	10	3	1969
#3 55-639723	25	125	425	8	4	1965
#4 55-639722	25	125	800	12	4	1970
#5 55-503273	75	480	850	20	6	1982
#6 55-580082	125	425	810	12	8	2001

* Arizona Department of Water Resources Identification Number 7co 16 8 2006

TO SO OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUN	/IPS	FIRE HYDRANTS		
Horsepower	Quantity	Quantity Standard	Quantity Other	
15	4	12		
20	2			
40	6			
50	2			

STORAGE TA	NKS	PRESSURE TANKS		
Capacity	Quantity	Capacity	Quantity	
100,000	3	5,000	2	
200,000	1	7,500	1	
560,000	1	10,000	1	

Note: If you are filing for more than one system, please provide separate sheets for each system.

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VALLEY WATER UTILITIES COMPANY DOCKET NOS. W-01412A-07-0___

OF ROBERT L. PRINCE

FILED OCTOBER 1, 2007

A.

DIRECT TESTIMONY OF ROBERT L. PRINCE

- Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.
- A. My name is Robert L. Prince. My business address is 6808 N. Dysart Road, Suite 112,Glendale, Arizona 85307. I am President of Valley Water Utilities Company Inc.
- Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN OTHER PROCEEDINGS ON BEHALF OF THE APPLICANT, VALLEY WATER UTILITIES COMPANY ("VALLEY" OR "COMPANY")?
- A. Yes, I have.
- Q. WILL YOU PLEASE STATE FOR THE RECORD THE SIZE AND LOCATION OF THE COMPANY'S OPERATIONS?
- A. Yes, Valley was first Certificated in about 1960, and serves approximately 1,400 primarily residential customers in the Glendale area, just south and east of Luke Air Force Base.
- Q. WILL YOU PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET AND THE COMPANION EMERGENCY RATE CASE APPLICATION?
 - Yes, we have designed and built our system to serve our existing customers and reasonable expectations of our growth, and toward that end have seven wells designed to produce 1,725 gpm, with slightly over one million gallons of storage, with the requisite booster facilities and approximately 133,000 feet of transmission mains. However, we recently have had a catastrophic failure of our largest well and we must immediately replace that lost capacity to meet the summer 2008 demand of our customers. We are requesting the Commission's assistance in obtaining financing approvals to obtain construction and long term funding of the New Well. In the companion Application we address the clear need an Emergency Surcharge to cover the interest payments until the

Q. HOW HAS THAT WELL PERFORMED?

new well can be included in our rate base and permanent rates established to cover its costs. My purpose is to explain the causes of the emergency, propose a solution, and request the Commission's assistance in that regard.

- Q. YOU SAY YOUR WELLS ARE DESIGNED TO PRODUCE 1,725 GPM, HAS THAT BEEN THE EXPERIENCE?
- A. No, and that is the very serious problem at hand. On August 24, 2007 number 6 well, our supposed largest producer totally failed. Designed to produce 425 gpm to meet the demand of a new subdivision of 517 homes, the well is presently, and permanently, out of service.
- Q. WILL YOU PLEASE GIVE THE COMMISION A BRIEF HISTORY OF THAT WELL?
- A. Valley Utilities Water Co.'s number 6 well, well registration number 55-580082, was drilled, developed and tested by Layne Christensen Company, as directed by Southwest Ground-water Consultants, Inc. (SGC) in February 2001. The well was also designed by SGC while contracted by the developer, Stardust Development, for that purpose. The well tests took place over a three day period from March 21 through March 23, 2001. In the well report from SGC, the conclusion was that the well would produce the needed amount of water to serve the Dreaming Summit subdivision, 450 acre feet per year. As permitted by ADWR, the well was approved as designed with a peaking capacity of 1,150 gpm, not to exceed 450 AF per year. The well was placed in service August 30, 2002. I have attached the ADWR Permit No. S-580082 and the ADWR Completion Report as **Attachments 1** and **2**, respectively.

A.

A. The well operated continuously from August of 2002, meeting demands of the system at that time. However, the summer of 2003 revealed a reduction in the production of the number 6 well during the highest demand months of May through August. This problem was discussed with Steve Noel of SGC and the thought was that the submersible pump that was operating may not have been sufficient to produce the desired amount of water at a greater than anticipated draw down of the well during the summer months. The conclusion being that a larger pump set deeper would produce the needed production during the peak demand times.

Q. WERE THERE OTHER PROBLEMS?

Yes, in March of 2006, the thrust bearing failed in the 125 HP submersible and the pump was pulled. Valley contracted with Longmire Well Services to video the well to have a visual account of the well condition. The video revealed a problem with bio-fouling in the well that was so bad that the condition of the casing could not be determined. Valley reviewed the video with Frank Turek, geologist for PBS&J as well as Fred Tregaskes with the Weber Group (a full service water well contractor). A plan for cleaning and rehabilitation was developed and the Weber Group was contracted to implement the plan. The process was to physically clean the well with a nylon brush in conjunction with chemically cleaning the well with NSF approved chelated chemicals, product brand name "Well Clean". This process resulted in marginal improvements, as determined by an "after" video log of the well and the decision was made, with the advice of the contractor that no further attempts at remediation would be made at this time.

Q. DID SUPPLY ISSUES REMAIN?

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A.

Because the time had advanced to May of 2006 and the system water demand was increasing dramatically, it was decided to place the well back in service. A 125 HP US vertical hollowshaft motor with an 8" National M10HC, 10 stage bowl assembly was selected. This motor and pump combination is capable of producing 600 gpm at a total discharge head of 600 feet. The turbine pump was installed by the Weber Group and the well was started in June of 2006. The pump ran for 5 to 15 minutes, producing approximately 700 gpm to waste, then it broke suction and had to be shut down. A restart was done with a throttled discharge to reduce the flow to approximately 400 gpm, the result was that the pump ran longer to waste, but again broke suction before being clean enough to go to the system. Although the pump produced within the parameters of the engineering curves the well was not producing the required flow. We attempted to resolve this problem by using a variable frequency drive. The pump was started at a lower frequency, 45 Hz, and ran at the slower rate and was slowly increased to a sustainable pumping rate. Running the motor at a lower RPM caused the pump to produce at a rate equal to the wells production capability, 250 to 350 gpm. This combination of equipment and close monitoring of the dynamic level of the well was sufficient to get through the summer of 2006.

Q. DID YOU ATTEMPT A MORE PERMANENT FIX WHEN THE SEASONAL DEMANDS DROPPED?

A. Yes, in March of 2007 it was decided to remove well number 6 from service, video the well again and then to physically and chemically clean it again. This time we consulted with Mike Schnieders, Hydrologist, with Water Systems Engineering Inc., located in Ottawa, Kansas. Mike was recommended by Gary Gin who works for the City of Phoenix.

Gary is a Hydrologist in charge of the cities recharge wells among other projects. Gary is highly regarded with respect to bio-fouled wells and he highly recommended Mike Schnieders as the preeminent well rehabilitation hydrologist in the country, specializing in bio-fouled wells. Valley took water samples per Water Systems Inc. specifications. After the analysis was completed, recommendations were made by Water Systems Inc. for what we hoped would be the last rehab for the number 6 well. I have attached that report as **Attachment 3**.

Q. DID YOU FOLLOW THEIR RECOMMENDATIONS?

A. After the Weber Group implemented the plan and the cleaning was complete, a video log was again taken to determine the success or failure of the effort. It was discovered that although the cleaning, this time, was exceptional there were holes in the wire wrapped casing and if not addressed would present problems. If these holes were not repaired they would be an ingress path for the gravel pack to enter the well. The holes appeared to be corrosion caused as a function of the bacteriological contamination and the low carbon steel make up of the casing. Again, Longmire Well Services was contracted to facilitate repairs and five perforated patches were swaged to repair the holes. Another video log showed that the patches were successful. The pump was reinstalled and the well was again returned to service in June of 2007.

Q. HOW DID THAT WORK?

A. The well operated for 80 days losing production on a weekly basis. Production fell from 350 gpm to 65 gpm over this period and the well was removed from service on August 24, 2007. The pump was inspected and found to be completely destroyed with little of the impellers intact. The pump was completely filled with filter pack, sand and clay silts

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indicating a failure of the well casing. The video was inconclusive due to fill to a level of 657 feet but there was indication of corrosion and erosion in the wire screen that may have allowed filter pack and other material to enter the well causing the damage found in the pump.

- **BASED** EXPERIENCE AND THE **ADVICE** OF YOUR O. ON YOUR CONSULTANTS. WHAT DID YOU CONCLUDE?
- A. The number 6 well has been treated with the best available technology in order to rehabilitate it and return it to useful service. All attempts have failed and Valley now has no choice but to drill a new well to replace the lost 450 acre feet of annual water production required for Valley to meet the current demand that comes in the hotter months, April to September.
- HAS THE COMPANY ATTEMPED TO RESOLVE THIS SUPPLY PROBLEM IN Q. ANY OTHER WAY?
- Yes. We have entered into a wholesale water agreement for supply from Litchfield A. Park Service Company (LPSCO), the utility immediately south of our service area. However, LPSCO has had its own problems and has recently as August 24, 2007 has advised us that they could not assist at this time.
- Q. ARE THERE OTHER ALTERNATIVES?
- A. We thought perhaps. I have contacted the City of Glendale representatives regarding a mutual supply agreement, but have been told in no uncertain terms that the City is not interested in such an arrangement. One positive note is that we were awarded a Central Arizona Project Subcontract for 250 acre-feet, enough to serve about 500 customers. That Subcontract is being finalized presently, but the wet water will not be available until a

delivery and treatment plan is negotiated, designed, financed and constructed, probably several years away. The New Well is the only viable plan for summer 2008 supply.

Q. IS THE NEW WELL CRITICAL TO VALLEY AND YOUR CUSTOMERS?

A. I can not stress strongly enough, if Valley does not develop a water source equal to what was lost, Valley will experience water shortages that will create serious public safety concerns for all of the customers that we serve as well as extended outages with no water at times. Even with a tie line connected to LPSCO, the availability of that water is subject to their system needs and we have been turned down three times already when we requested supplement water to augment what we were able to produce.

Q. WHAT IS YOUR REQUEST OF THE COMMISSION?

A. Valley is at a critical juncture. We must, I say, must, have a new well in service by early spring 2008. If we do not, our storage tanks will go dry and we will not be able to serve ANY of our customers. The only way the new well can be constructed is with WIFA funds and with an interim commercial construction loan. To obtain approval of that "bridge" loan we must have a WIFA take out of that line of credit. To obtain the WIFA long term loan we must have an immediate surcharge to cover interest costs until a permanent rate case can recognize the new well costs. The solution is not enjoyable for anyone, but it is very clear immediate action by the Commission is essential.

Q. WHAT SPECIFICALLY IS NEEDED?

A. We need the Commission's approval of our proposed Line of Credit of up to \$250,000 (which would hopefully be for less than the twelve months during the construction period), and in addition loan term approval of a WIFA loan to repay that Line of Credit, and an Emergency Surcharge to cover interest payments to first the bank as set forth in Attachment Three to the

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Emergency Rate Increase Application, and then to WIFA. When the new well comes on line and we have operating experience with it, Valley would file a plenary rate application to drop the Surcharge and recover those costs in new permanent rates.

- Q. DOES THAT COMPLETE YOUR DIRECT TESTIMONY?
- A. Yes it does.

PERMIT NO. S-580082

Well Location:

SW1/4 of the SW1/4 of the SE1/4, Section. 11, Township 2

North, Range 1 West, GSRB&M

Depth: 800 ft.

Diameter: 18-20 inches inches

Type of Casing: Steel

Maximum Pumping Capacity:

1150 gallons per minute

Maximum Annual Volume:

450-acre feet

Authorized Place of Use for

Groundwater Withdrawn:

Within the service area of Valley Utilities Company

Authorized Use of Groundwater:

As authorized by Water Provider Right Number 56-002047

Latest Date for Completing Well:

August 2, 2001

Permit Conditions

- 1. If the permitted well is not completed on or before August 2, 2001 the Permittee will be required to file a new application, and secure a new permit before proceeding with construction.
- 2. The proposed well shall be constructed in accordance with the minimum well construction standards, A.A.C. R12-15-811.
- 3. The permitted well is located in an area of known land subsidence. Therefore, this permit is issued subject to permittee's agreement to conduct land elevation monitoring, as set forth in the letter dated July 13, 2000 from Jim Holway to Valley Utilities Water Company. The letter agreement is located in the ADWR Well Registration file No. 55-580082.

WITNESS my hand and seal of office this 3rd day of August, 2000.

Jim Holway, Assistant Director

GROUNDWATER MANAGEMENT SUPPORT SECTION MAIL TO: P. O. BOX 458 - PHOENIX ARIZONA 85001-0458

Phone (602) 417-2470

COMPLETION REPORT

A.	Per A.R.S. § 45-600.B, the Completion Report is t well owner.	Pump Installati) Pump Installation of the Department	on Report) rent within 30 days after instal	lation of pump equip	ment by the registered
8. i	Drawdown of the water level for a non-flowing wivell the shut-in pressure should be measured	all thoused be managed			
	The static groundwater level should be measu				400 .
D. 7	he tested pumping capacity of the well in gallon fter continuous operation for at least 4 hours	s per minute for a non-lin	wing wall should be determine		discharge of the pump
	tems 1 and 2 are available from the Notice of I		- wardening the violetial lines of	rule land Surface,	
	ems 3 and 4 may be available from the driller				
1. <u>REG</u>	ISTRATION NO: 55- 580082		FILE NO: B (2-	-1) 11 DCC	
2. <u>LOC</u>	ATION OF THE WELL:				
2N	N/S IW E/W	11	1/4 SW	1/4 SW	1/4 SE
Townshi		Section	J.O-acre	40-ясте	160-acre
3. <u>EOU</u>	PMENT INSTALLED:				
Kind of pu	mp <u>Submersible</u>		Kind of power <u>Electric</u>		
.	Turbine, Submersible, Centrifugal, e	te.		tric, natural gas, gas	dine, etc.
H.P. Rating	of Motor 125 Pu	mping Capacity 900	Det	c Pump Installed 24	0ct 2002
4. <u>WEL</u>	•		:		<u> </u>
Test pump	ing capacity 450 GPM	Dat	e Well Tested 20 March,	2001	
-	Gallons per minute		e well resterned manday	7001	
Method of	Discharge Measurement Gallon Met	ter			
	:		e, current meter, etc.		
Static Gro	ındwater Level 237'		64 thus and 1341		
			ft. Drawdown 114'		ft.
Total Pum	ping Lift 351 1		ft. Drawdown		lbs
				lowing Well)	
I HEREBY	CERTIFY that the above statements as	re true to the best of m	y knowledge and belief.		
Valley	Utilities Water Co. Inc. 1	2540 W. Bethany	Home Road Litchi	ield Park. A	85340
Print Well	Wher Name	Address	City	State	Zip
Kelet	1. Mine	623-935-	1100	8-30-	02-
Signature o	Well Owner	Phone Nu		Date	
ľ					
DWD SS.SA	(D-4 1/00)				

ATTACHMENT 2

Water Systems Engineering Inc.

Ottawa, KS 96067-0700

Phone: 785-242-6166 Fax: 785-242-9411

WATER TREATMENT ANALYSIS AND CONTROL REPORT

Bob Prince

Valley Utilities Water Co., Inc.

6808 N. Dysart Rd. - Suite 112

Glendale, AZ 85340

Date: April 4, 2007

Lab Report # 17308

Well No.6, Bethany Hills West Yard, samples dated 3/21/07 REF:

Complete Profile (1)

Casing 100' mg/l 0 132 0 0 132 7.9	Aquifer mg/l 0 116 0 0 116
0 132 0 0 132	0 116 0
132 0 0 132	116 0 0
0 0 132	0
0 132	0
132	
	116
/.9	
40.0	8.0
	70.4
	457
	635
	100
·-··	100
	. 0
	68
	32
	66.4
	2.1
	0.1
	0.0
	0.03
0.1	0.03
0.8	0.1
0.0	0.0
0.1	0.0
3.7	3.7
42.9	63.7
27.2	22.8
0.0	0.0
0.0	0.0
3.8	0.5
	- 0.27
The state of the s	83 mV
	7.9 48.0 357 496 136 132 4 80 56 39.2 1.9 0.1 0.0 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1

Valley Utilities Water Co., Inc. - Lab Report #17308 Page 2

Bacterial Analysis:

		NO.6
	Casing 100'	Aquifer
Plate Count (colonies/ml)	>1500	3
Sulfate Reducing Bacteria	Negative	Negative
Anacrobic Growth	20%	<10%
ATP (cells per ml)	3.0 M	260,000
ATP (cells per ml) filtered	508,000	260,000
Total Coliform Bacteria	Positive	Negative
	2 / 10 ml	
E. coli Coliform Bacteria	Negative	Negative

Microscopic Evaluation:

Casing: Light visible bacterial activity, moderate number of protozoa, few crystals,

moderate iron oxide, no sheathed or stalked bacteria noted.

Bacterial Identification: Pseudomonas aeruginosa

Aquifer: Light visible bacterial activity, few crystals, minor amount of plant particulate

matter, minor iron oxide with no sheathed or stalked bacteria noted.

Bacterial Identification: Microbacterium spp. (CDC A-4)
Staphylococcus gallinarium

Observations:

Please Note: The casing samples submitted contained a light coating of oil leaving a visible film on top of the water. The oil was very light colored, suggesting it was from the pump itself and not from an outside source. Oil presence in water has been found to act as a stimulant and/or nutrient source for some bacteria. Natural degradation of the oil can result in a carbonization that has shown to be an excellent location for anaerobic bacterial development.

The casing and aquifer samples submitted for analysis of Well 6 show moderate alkalinity, with an alkaline pH. Total dissolved solids and conductivity were elevated, with moderate hardness present in both samples. The hardness measurement in the casing sample showed a very small amount of non-carbonate hardness, while the aquifer sample did not reveal any non-carbonate hardness. Calculation of the Langelier Saturation Index yielded negative readings for both samples, suggesting a reduced potential for carbonate scale development and an increased potential for corrosion. Nitrate levels were elevated in both samples. Manganese and copper were not detected. Iron levels suggest some limited accumulation is occurring within the casing, but levels do not exceed benchmark accumulating levels at this time. Other ion concentrations did not reveal any particular measurement to be alarming or indicative of causing a problem with plugging of the well. The level of total organic carbon

Valley Utilities Water Co., Inc. - Lab Report #17308 Page 3

in the casing sample was excessive, while the aquifer sample was much lower. The oxygen reduction potential was moderately low in both samples.

Bacterial analysis of the samples showed much more of an insight to probable fouling within the well system. The plate count for the casing sample was excessive and decreased significantly in the aquifer sample. Anaerobic bacteria were elevated within the casing sample, while the aquifer sample had limited anaerobic growth. Results of testing for sulfate reducing bacteria were negative in both casing and aquifer samples. ATP counts for the samples were excessive, with the casing sample including some larger protozoans. Filtering of the protozoans still yielded a high population level for an active well system. Bacterial identification of the major populations for the samples included two common slime forming species, *Pseudomonas* and *Microbacterium*, and a *Staphylococcus* species. This particular type of bacteria is often associated with the skin of animals and humans, but can also be found in soil and in dust. The presence of the *Staphylococcus* species in the aquifer sample is suggestive of human contact with the water or the sample bottle, during sampling.

Total coliform testing was positive in the casing sample with a low count of 2 colonies per 10 ml made. Testing for E.coli specific coliforms was negative, and the count suggest the coliform presence within the casing sample is environmental in nature. Testing for total and E.coli coliform presence within the aquifer sample was negative.

The slime forming bacteria mentioned above are notable as they produce a polysaccharide exopolymer that aids the bacteria in adhering to surfaces of the well and in attracting food. The slime also creates a protective barrier for the bacteria to grow within. The bacteria can grow to form masses of biological material that also accumulate fine sediment entering the well and gravel pack as well as minerals precipitating out of solution.

Interpretations:

Due to the overwhelming influence of bacteria upon the well, biofouling is very likely to be occurring within the system, impacting well production and efficiency. The level of bacterial growth and activity exceeds typical levels observed in active potable well systems. The population, activity and growth, and diversity could all account for the degradation of water quality (odor) noted. Also evident with the amount of protozoans in the casing sample is an influence on the well or aquifer recharge zone from a surface water source. The light oil in the sample is most likely from the pump, but, as it can become a food source for bacteria, should be investigated. The oil can act much like the slime forming bacteria, causing problems not only within the well, but while it is being pumped out the oil can cause gummy, carbonized deposits within the piping and treatment system as well.

The coliform occurrence and count observed, are suggestive of environmental coliforms. These can be found present within the soils and watershed, not being a concern pathogenically to humans, but are used as indication of bacterial presence and

Valley Utilities Water Co., Inc. - Lab Report #17308 Page 4

contamination within well systems. If these coliforms are present, the likelihood that other potentially harmful bacteria are dwelling within the system increases. At a minimum, the coliform occurrence should be used as an indicator of the need for maintenance and disinfection of the well.

Recommendations:

€

Due to the protozoan presence in the casing sample, the well seal around the well needs to be inspected for possible surface water intrusion beyond aquifer recharge influence. Furthermore, due to the oil presence, the production pump should be removed, and serviced as needed. The amount of oil within the well column should be investigated and, if an appreciable volume is present, evacuated from the well prior to cleaning. If the oil occurrence is light, it can be pumped out during cleaning, however accumulations are present and carbonization is occurring within the well, a caustic treatment may be needed to remove the oil from the well and prevent future influence. While the pump is removed for service, a rehabilitation cleaning should occur in order to remove as much biofouling that is present within the well proper. Combined chemical and mechanical rehabilitation of the well, followed by a chlorination treatment for disinfection is recommended.

At the start of rehabilitation, the pump should be removed, serviced and disinfected along with any installed monitoring equipment. The well should then be brushed, swabbed, or low-pressure jetted to disrupt and remove the accumulations expected within the immediate well zone. The well should then be evacuated of all debris starting at the bottom of the well and working upward.

Once evacuation is completed, the addition of chemicals into the well should begin. A mixture of 6% hydrochloric acid, 3% NW-310 biodispersant, and 0.1% NW-400 surfactant is recommended for effective removal of biofouling within the well and gravel pack.

Based on the provided well specifications, the recommended chemical volumes are:

Potable water for blending
Hydrochloric Acid
NW-310 Biodispersant
NW-400 Surfactant

2000 gallons
640 gallons
94 gallons
3 gallon

The NW-310 biodispersant by Johnson Screens aids in dispersing both the biomass and dissolved ions for more effective cleaning and improved removal from the well. The NW-400 surfactant will aid penetration of the cleaning chemicals beyond the immediate well to treat the near-well formation.

The mixture of water, hydrochloric acid, NW-310, and NW-400 should be blended in an above ground holding tank before being pumped into the well.

This cleaning chemistry should be added into the well using a jetting tool and followed with mechanical agitation, such as a double disc surge block device. The well should then be agitated, forcing the chemistry throughout the well and gravel pack for a period of approximately 8 to 10 hours. The pH of the well should be monitored during the entire process, with the pH remaining below 3.0 for best removal of the biofouling. If the pH rises, additional hydrochloric acid should be administered as it is being neutralized down hole. After the initial surging period, the well should be allowed to sit overnight (12 hours) with the cleaning chemistry down hole, still maintaining a pH below 3.0. The following day, the well should be mechanically agitated again while maintaining the pH for a second period of 4 to 6 hours. Once complete, the well will need to be pumped until the pH and turbidity return to normal. This water should be pumped into a treatment tank and any acid neutralized before being disposed of following federal, state, and local guidelines.

Following rehabilitation and efficient purging of the well, a pH balanced chlorination effort should be employed as a means of disinfection prior to returning the well to active service. A 300 ppm chlorine dosage utilizing a 12.5% active sodium hypochlorite solution is recommended for effective chlorination without excessive oxidation. The natural pH and alkalinity of the well will require buffering for effective chlorination. Use of the Johnson Screen's NW-410 is recommended as a chlorine enhancer to increase the effectiveness of the chlorination treatment through pH buffering and surfactant properties. Use of a total treatment volume equal to 3 times the standing well volume to flood the entire borehole and increase the effected area is recommended. Based on the well dimensions provided, the amount of chemical required for the recommended disinfection treatment would be:

Total Treatment Volume	i	7500 gallons
Sodium Hypochlorite (12.5% Active)	i	18 gallons
NW 410 Chlorine Enhancer	:	8 gallons

Following disinfection and removal of the solution from the well, the well will need to be sampled for coliform occurrence. The samples will likely require submittal to a State lab for certification. Once the well has been returned to active service, it is recommended that a second well profile be run to evaluate the cleaning procedure and assess the need for regular maintenance, monitoring, and routine disinfection.

Should you have any questions regarding the interpretations or the recommendations provided, please feel free to contact our office.

Michael Schnieders Hydrogeologist

Valley Utilities Water Company Proposed Debt Recovery Surcharge - Long-Term Debt Computation

Γ.

Line	,									
<u>No.</u>	MUCA Loop Dringinle	\$	250,000							
1	WIFA Loan Principle	Φ	250,000							
2	Interest Rate (annual)¹		6.00%							
3	Term (in years)		20							
4	Annual Principle Payment [1]	\$	6,796							
5	Tax Factor [2]	•	1.62							
		•								
6	Principle plus Taxes [1] X [2] = [3]	\$	11,010							
7	Annual Interest Payment [4]	\$	15,000							
8	Debt Payment Reserve [5] ²	\$	4,359							
9	Total Annual Debt Service [3] + [4] + [5] = [6]	\$	30,369							
	Total Attitual Debt Service [S] + [4] + [S] - [0]	Ψ	50,503							
10										
11										
12	Total [6]								\$	30,369
13	(- 1									
			4 440							
14	Number of Customers at YE 2006		1,418	_						
15										
16	Computation of Equivalent 5/8 Inch Meters									
17	001110110110110110110110110110110110110					AWWA				
18		_			_	Meter				
19		P	ortion of	200	6	Flow		valent		
20	Meter Size	Antici	ipated Growth	Year-end Cu	ustomers	<u>Factor</u>	5/8 Inch	<u>Meters</u>		
21	5/8 Inch		13.47%		191	1.0		191		
			53.95%		765	1.5		1,148		
22	3/4 Inch									
23	1 Inch		28.42%		403	2.5		1,008		
24	1 1/2 Inch		0.42%		6	5.0		30		
25	2 Inch		3.39%		48	8.0		384		
	3 inch		0.35%		5	16.0		80		
			0.00%		•	25.0				
	4 Inch							-		
28	6 Inch		0.00%			50.0		-		
29	8 Inch		0.00%			80.0		-		
30	10 Inch		0.00%			115.0		-		
			0.00%			215.0		_		
31	12 Inch				4 440	213.0		2,840		
32	Totals		100.00%		1,418			2,040		
33	*									
34	Total Equivalent 5/8 Inch Meters [7]									2,840
35	Total Education and Merchant [1]									•
	Amend Ones Francisco de la Francisco de Crista de la Crista del Crista de la Crista del Crista de la Crista del Crista de la Crista de		//01 - /71 V					100%	œ	30.360
36	Annual Costs Expected to be Funded by Surcharge (F	ercent	Y [/] = [8])					100%	\$	30,369
37										
38	Annual Surcharge for Equivalent 5/8 Inch Metered Cus	stomer	before tax (rou	inded down)	([8]/[7] =	: [9])			\$	10.69
39	•		•	•						
	Manthly Complement for Continuous E/O Inch Material Co		hoforo tov /ro	unded desum	101/12	- (4.01)			\$	0.89
40	Monthly Surcharge for Equivalent 5/8 Inch Metered Cu	JStomei	belore tax (IC	unuea aown) ([8] / 12 .	- [10])			Ψ	0.09
41										
42	Projected Debt Recovery Surcharge by Meter Size									
43	Meter Size									
44	5/8 Inch	\$	0.89	[10]						
					10 motor f	low				
45	3/4 Inch	\$		Scaled on 5						
46	1 Inch	\$	2.23	Scaled on 5	i/8 meter f	low				
47	1 1/2 Inch	\$	4.45	Scaled on 5	i/8 meter f	low				
48	2 Inch	\$	7.13	Scaled on 5	/8 meter f	low				
	3 inch	\$		Scaled on 5						
49										
50	4 Inch	\$		Scaled on 5						
51	6 Inch	\$	44.54	Scaled on 5	i/8 meter f	low				
	8 Inch	\$	71.27	Scaled on 5	i/8 meter f	low				
53	10 Inch	\$		Scaled on 5						
54	12 Inch	\$	191.53	Scaled on 5	vo meter t	IUW				
55										
56	Customer Monthly Bill Impact	Cur	rent Mon. Bill	Mon. Sur	charge		Total I	Mon.Bill	<u>%</u>	Increase
57	5/8 inch metered customer at average use of 9,264 gals.	\$	30.21		0.89		\$	31.10	_	2.95%
			38.15		1.34		\$	39.49		3.50%
58	3/4 Inch metered customer at average use of 10,243 gals.	\$	30.13	Φ	1.34		Ψ	35.48		3.30 /6
58										
59										
60										

⁶¹ Assumed to be 75 percent of prime rate (rounded). Current prine rate is 8.25%.

⁶² WIFA debt reserve requirement is to collect one-years debt service over 5 years (60 months).

Valley Utilities Water Company Proposed Debt Recovery Surcharge - Short-Term Debt Computation

Line	oopalao								
No.									
1									
2						_			
3	Line of Credit					\$	250,000		
4	Average Annual Outstanding Balance of Line of Credit	[1]				\$	125,000	•	
5	Annual Interest Rate [2]					•	9.00%		
6	Projected Annual Interest Expense [1][X [2] = [3]					\$	11,250		
7	—							\$	11,250
8	Total annual amount to be recovered [3]							-	11,230
9									
10	Number of Customers at YE 2006	······································	1,418						
11									
12	Computation of Equivalent 5/8 Inch Meters				AWWA				
13									
14		Dadina		2006	Meter Flow	E~	wix clost		
15	**	Portion					uivalent ch Meters		
16	Meter Size			Year-end Custome		3/0 11	191		
17	5/8 Inch		13.47%				1,148		
18	3/4 Inch		53.95%	400			1,148		
19	1 Inch		28.42%		5 2.5 6 5.0		30		
20	1 1/2 Inch		0.42%	4			384		
21	2 inch		3.39%		5 16.0		80		
22	3 inch		0.35%	•	25.0		80		
23	4 Inch		0.00%		50.0		-		
24	6 inch		0.00%		80.0		-		
25	8 Inch		0.00%		115.0		-		
26	10 Inch		0.00%		215.0		-		
27	12 Inch		0.00%	1,418			2,840		
28	Totals		00.00%	1,410			2,040		
29									2,840
30	Total Equivalent 5/8 Inch Meters [4]								2,040
31	a lo (m) the best moderable Overhams (D	V (01 -					100%	\$	11,250
32	Annual Costs Expected to be Funded by Surcharge (P	ercent X [3] =	[5])				100%	Φ	11,230
33	A LOUIS CONTRACTOR SIZE AND ADDRESS OF THE SIZE AND AD		امما\ /rE1	/ (41 (61)				\$	3,96
34	Annual Surcharge for Equivalent 5/8 Inch Metered Cus	stomer (round	iea) ([5]	/ [4] - [0])				Ψ	3.30
35	Martin Complement Service and SIO leads Material Co		404) (IG	1 / 10 - (71)				\$	0.33
36	Monthly Surcharge for Equivalent 5/8 Inch Metered Cu	istomer (roun	ueu) (lo	1 12 - [1])				Ψ	0.00
37	Duningstand Dight Descripting Curcharge by Motor Size								
38	Projected Debt Recovery Surcharge by Meter Size								
39	Meter Size	\$	0.33	17 1					
40	5/8 Inch	\$		Scaled on 5/8 mete	er flow				
41	3/4 Inch	\$		Scaled on 5/8 meter					
42	1 Inch	\$		Scaled on 5/8 meter					
43	1 1/2 Inch	\$		Scaled on 5/8 met					
44	2 Inch	\$		Scaled on 5/8 meter					
45	3 inch	\$		Scaled on 5/8 met					
46	4 Inch	\$		Scaled on 5/8 met					
47	6 Inch	\$		Scaled on 5/8 met					
48	8 Inch	\$		Scaled on 5/8 met					
49	10 Inch 12 Inch	\$ \$		Scaled on 5/8 met					
50	12 inch	Ψ	10.55	Scaled on S/o mor	Ci iiOw				
51	Outtomer Monthly Bill Import	Current Me	on Rill	Mon. Surcharge		Tot	al Mon.Bill	% Is	ncrease
52		\$	30.21		13	\$	30.54	70.11	1.09%
53	5/8 Inch metered customer at average use of 9,264 gals. 3/4 Inch metered customer at average use of 10,243 gals.	\$ \$	38.15			\$	38.65		1.30%
54	5/4 men metered customer at average use or 10,245 gais.	Ψ	JJ. 15	ψ 0.0		*	55.55		
54 55									
55 56									
56									
57									
58 59									
59 60									
61									
01									

ARIZONA CORPORATION COMMISSION UTILITIES DIVISION

VALLEY UTILITIES WATER CO., INC. 6808 N. DYSART ROAD, SUITE 112 CLENDALE AZ 85307	ANNUAL REPORT MAILING I		
GLENDALE, AZ 05507		NDALE, AZ 8530	

ANNUAL REPORT

FOR YEAR ENDING

2006 12 31

FOR COMMISSION USE ANN 04 06

PROCESSED BY:

EXHIBIT 4

SCANNED

COMPANY INFORMATION

6 11 A LL COOON DVCAD	TROAD CHITE 112		
Mailing Address 6808 N. DYSAR (Street)	I ROAD, SUITE IIZ		
GLENDALE	AZ	8530	
(City)	(State)	(Zip)
(623) 935-1100 elephone No. (Include Area Code)	(623) 935-7321 Fax No. (Include Area Code)	(602) 672	9481
elephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (In	clude Area Code)
mail Address			
ocal Office Mailing Address <u>SAM</u>	IE AS ABOVE (Street)		
(City)	(State)	(Zip)	
ocal Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No	. (Include Area Code)
mail Address			
Email Address	NAGEMENT INFORMATION		
	NAGEMENT INFORMATION		е)
MA Management Contact:ROBER	NAGEMENT INFORMATION T PRINCE (Name)	ON (Tit)	
MA	NAGEMENT INFORMATION T PRINCE (Name)	<u>ON</u>	
MA Ianagement Contact: ROBER 6808 N. DYSART ROAD, SUITE 112	NAGEMENT INFORMATION T PRINCE (Name) GLENDALE	ON (Title AZ (State)	85307
MA Ianagement Contact: ROBER 6808 N. DYSART ROAD, SUITE 112 (Street)	NAGEMENT INFORMATION T PRINCE (Name) GLENDALE (City)	ON (Title AZ (State)	85307 (Zip)
MA Ianagement Contact: ROBER 6808 N. DYSART ROAD, SUITE 112 (Street) (623) 935-1100 Telephone No. (Include Area Code)	T PRINCE (Name) GLENDALE (City) (623) 935-7321 Fax No. (Include Area Code)	ON (Title AZ (State)	85307 (Zip)
MA Ianagement Contact:ROBER 6808 N. DYSART ROAD, SUITE 112 (Street) (623) 935-1100 Telephone No. (Include Area Code) Email Address	T PRINCE (Name) GLENDALE (City) (623) 935-7321 Fax No. (Include Area Code)	ON (Title AZ (State)	85307 (Zip)
MA Ianagement Contact: ROBER 6808 N. DYSART ROAD, SUITE 112 (Street) (623) 935-1100 Telephone No. (Include Area Code)	T PRINCE (Name) GLENDALE (City) (623) 935-7321 Fax No. (Include Area Code)	ON (Title AZ (State)	85307 (Zip)
MA Ianagement Contact:ROBER 6808 N. DYSART ROAD, SUITE 112 (Street) (623) 935-1100 Telephone No. (Include Area Code) Email Address	NAGEMENT INFORMATION T PRINCE (Name) GLENDALE (City) (623) 935-7321 Fax No. (Include Area Code)	ON (Title AZ (State)	85307 (Zip)

Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: RICHARD L SALI	QUIST	
	(Name)	
2525 EAST ARIZONA BILTMORE CIRCLE #117 (Street)	PHOENIX (City)	<u>AZ</u> <u>85016</u> (State) (Zip)
	(0.9)	V-1/
(602) 224-9222 Telephone No. (Include Area Code)	Fax No. (Include Area Code	Pager/Cell No. (Include Area Code)
Attorney: SAME AS ABOVE		
	(Name)	
(Street)	(City)	(State) (Zip)
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Please mark this box if the above addr	ess(es) have changed or are	updated since the last filing.
OWNI	ERSHIP INFORMATIO	<u>N</u>
Check the following box that applies to your	company:	
Sole Proprietor (S)	C Corporation (C	(Other than Association/Co-op)
Partnership (P)	Subchapter S Con	rporation (Z)
☐ Bankruptcy (B)	Association/Co-o	o (A)
Receivership (R)	☐ Limited Liability	Company
Other (Describe)		
<u>C</u>	COUNTIES SERVED	
Check the box below for the county/ies in w	hich you are certificated to pr	ovide service:
☐ APACHE	COCHISE	
	GRAHAM	GREENLEE
	_ ☑ MARICOPA	☐ MOHAVE
] PIMA	☐ PINAL
☐ SANTA CRUZ	☐ YAVAPAI	☐ YUMA
☐ STATEWIDE		

COMPANY NAME

VALLEY UTILITIES WATER CO., INC.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	44,196		44,196
304	Structures and Improvements	18,907	12,860	6,047
307	Wells and Springs	1,095,291	302,349	792,942
311	Pumping Equipment	336,173	206,128	130,045
320	Water Treatment Equipment	19,258	1,969	17,289
330	Distribution Reservoirs and Standpipes	290,662	197,688	92,974
331	Transmission and Distribution Mains	2,552,353	1,170,280	1,382,073
333	Services	108,339	49,214	59,125
334	Meters and Meter Installations	394,008	126,176	267,832
335	Hydrants	147,204	18,570	128,634
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	1,237	108	1,129
340	Office Furniture and Equipment	63,705	27,959	35,746
341	Transportation Equipment	82,788	21,528	61,260
343	Tools, Shop and Garage Equipment	29,533	13,911	15,622
344	Laboratory Equipment			
345	Power Operated Equipment	5,930	5,930	0
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	5,189,584	2,154,670	3,034,914

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME VALLEY UTILITIES WATER CO., INC.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
140.	DESCRIPTION	C05t (1)	10.00g. (=)	
301	Organization			
302	Franchises			
303	Land and Land Rights	44,196		
304	Structures and Improvements	18,907	3.33%	630
307	Wells and Springs	1,095,291	3.33%	34,789
311	Pumping Equipment	336,173	12.50%	37,217
320	Water Treatment Equipment	19,258	3.33%	620
330	Distribution Reservoirs and Standpipes	290,662	2.22%	6,442
331	Transmission and Distribution Mains	2,552,353	2.00%	50,993
333	Services	108,339	3.33%	3,460
334	Meters and Meter Installations	394,008	8.33%	31,023
335	Hydrants	147,204	2.00%	2,944
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	1,237	6.67%	78
340	Office Furniture and Equipment	63,705	6.67%	3,891
341	Transportation Equipment	82,788	20.00%	13,584
343	Tools, Shop and Garage Equipment	29,533	5.00%	1,302
344	Laboratory Equipment			
345	Power Operated Equipment	5,930	5.00%	0
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	SUBTOTALS	5,189,584		186,973
	Less: Amortization of Contributions			14,329
	TOTALS	5,189,584	Last No. 403	172,644

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.



To the Board of Directors of Valley Utilities Water Co., Inc. Glendale, Arizona

We have compiled the balance sheet of Valley Utilities Water Co., Inc. (a corporation) as of December 31, 2006 and 2005, and the comparative statement of income and expense for the years then ended included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the Arizona Corporation Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

All other information contained in the accompanying prescribed form has not been audited, reviewed, or compiled by us and, accordingly, we assume no responsibility for that information.

ULLMANN & COMPANY, P.C. Certified Public Accountants

Whenaun & Company

March 31, 2007

COMPANY NAME VALLEY UTILITIES WATER CO., INC.

BALANCE SHEET

Acct.	ASSETS		BALANCE AT BEGINNING OF YEAR		BALANCE AT END OF YEAR	
No.						
	ASSETS		1 D. A.			
	CURRENT AND ACCRUED ASSETS					
131	Cash	\$	823,902	\$	947,115	
134	Working Funds					
135	Temporary Cash Investments					
141	Customer Accounts Receivable		78,227		71,201	
146	Notes/Receivables from Associated Companies					
151	Plant Material and Supplies		16,639	<u> </u>	30,303	
162	Prepayments					
174	Miscellaneous Current and Accrued Assets		55,767		46,972	
	TOTAL CURRENT AND ACCRUED ASSETS	- [
		\$	974,535	\$_	1,095,591	
	FIXED ASSETS					
101	Utility Plant in Service	\$	4,904,248	\$	5,189,584	
103	Property Held for Future Use		40,000		40,000	
105	Construction Work in Progress		18,075		197,012	
108	Accumulated Depreciation - Utility Plant		1,971,713		2,154,670	
121	Non-Utility Property					
122	Accumulated Depreciation - Non Utility					
	TOTAL FIXED ASSETS	\$	2,990,610	\$	3,271,926	
	TOTAL ASSETS	- \$	3,965,145	\$	4,367,517	

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

COMPANY NAME

VALLEY UTILITIES WATER CO., INC.

BALANCE SHEET (CONTINUED)

Acct.			BALANCE AT		BALANCE AT	
No.		BEGINNING		END OF		
	LIABILITIES		OF YEAR		YEAR	
	CURRENT LIABILITES				16000	
231	Accounts Payable	\$	15,818	\$	16,329	
232	Notes Payable (Current Portion)		7,958		11,590	
234	Notes/Accounts Payable to Associated Companies					
235	Customer Deposits		53,775		80,189	
236	Accrued Taxes		21,559		44,513	
237	Accrued Interest					
241	Miscellaneous Current and Accrued Liabilities		5,421		7,198	
	TOTAL CURRENT LIABILITIES	\$	104,531	\$	159,819	
	LONG-TERM DEBT (Over 12 Months)					
224	Long-Term Notes and Bonds	\$	-	\$	28,237	
	DEFERRED CREDITS					
251	Unamortized Premium on Debt					
252	Advances in Aid of Construction		3,726,938		3,805,035	
255	Accumulated Deferred Investment Tax Credits					
271	Contributions in Aid of Construction		865,157		1,018,717	
272	Less: Amortization of Contributions		257,238		271,566	
281	Accumulated Deferred Income Tax		30,689		29,820	
	TOTAL DEFERRED CREDITS	\$	4,365,546	\$	4,582,006	
	TOTAL LIABILITIES	\$	4,470,077	\$	4,770,062	
	CAPITAL ACCOUNTS				110.000	
201	Common Stock Issued	\$	110,000	\$	110,000	
211	Paid in Capital in Excess of Par Value		4,988		4,988	
215	Retained Earnings		(619,920)		(517,533)	
218	Proprietary Capital (Sole Props and Partnerships)					
	TOTAL CAPITAL	\$	(504,932)	\$	(402,545)	
	TOTAL LIABILITIES AND CAPITAL	\$	3,965,145	\$	4,367,517	

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRI	OR YEAR	CUR	RENT YEAR
461	Metered Water Revenue	\$	883,022	\$	1,111,620
460	Unmetered Water Revenue	ļ	000,022	<u> </u>	
474	Other Water Revenues		38,959		114,795
	TOTAL REVENUES	\$	921,981	\$	1,226,415
	OPERATING EXPENSES				
601	Salaries and Wages	\$	274,462	\$	337,921
610	Purchased Water	-	0		16,051
615	Purchased Power		119,368		132,562
618	Chemicals		6,303		10,208
620	Repairs and Maintenance		11,178		9,511
621	Office Supplies and Expense		33,045		22,512
630	Outside Services		11,829		31,520
635	Water Testing		3,782		9,538
641	Rents		74,770		92,058
650	Transportation Expenses		26,726		19,203
657	Insurance - General Liability		19,343		29,052
659	Insurance - Health and Life		81,377		106,608
666	Regulatory Commission Expense - Rate Case		1,903		12,199
675	Miscellaneous Expense		40,497		49,465
403	Depreciation Expense		191,094		172,644
408	Taxes Other Than Income		21,844		26,105
408.11	Property Taxes		31,157		35, 524
409	Income Tax		(587)		24,905
	TOTAL OPERATING EXPENSES	\$	948,091	\$	1,137,586
	OTHER INCOME/EXPENSE			-	
419	Interest and Dividend Income	\$	7,912	\$	22,455
421	Non-Utility Income		0		685
426	Miscellaneous Non-Utility Expenses		0		3,069
427	Interest Expense		1,423		6,513
	TOTAL OTHER INCOME/EXP	\$	6,489	\$	13,558
	NET INCOME/(LOSS)	\$	(19,621)	\$	102,387

429

SUPPLEMENTAL FINANCIAL DATA Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	01/05/2006			
Source of Loan	CHASE BANK			
ACC Decision No.				
Reason for Loan	VEHICLE PURCHASE			
Dollar Amount Issued	\$35,309	\$	\$	\$
Amount Outstanding	\$28,237	\$	\$	\$
Date of Maturity	2/19/2010			
Interest Rate	7.99%	%	9/	%
Current Year Interest	\$2,460	\$	\$	\$
Current Year Principle	\$7,072	\$	\$	\$

Meter Deposit Balance at Test Year End	\$ 262,798
Meter Deposits Refunded During the Test Year	\$ 43,208

COMPANY NAME	VALLEY UTILITIES WATER CO., INC.
Name of System	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
#1 55-639720	25	75	650	12	3	1942
#2 55-639721	30	125	650	10	3	1969
#3 55-639723	25	125	425	8	4	1965
#4 55-639722	25	125	800	12	4	1970
#5 55-503273	75	480	850	20	6	1982
#6 55-580082	125	425	810	12	8	2001

^{*} Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PU	BOOSTER PUMPS		DRANTS
Horsepower	Quantity	Quantity Standard	Quantity Other
15	4	12	
20	2		
40	6		
50	2		

STORAGE TA	STORAGE TANKS		RE TANKS
Capacity	Quantity	Capacity	Quantity
100,000	3	5,000	2
200,000	1	7,500	1
560,000	1	10,000	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME	VALLEY UTILITIES WATER CO., INC.
Name of System	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

МА	INS
IVLA	TIAO

Size (in inches)	Material	Length (in feet)
2		
3		
4	AC & PVC	10,000
5		
6	AC & DIP	64,514
8	AC & DIP	50,010
10	DIP	2,952
12	AC & DIP	5,925

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ³ / ₄	191
3/4	765
1	403
1 1/2	6
2	48
Comp. 3	. 5
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:	
1 - 3" Tablet Chlorinator	
3 - 50 Gallon Liquid Chlorinator	
STRUCTURES:	
STROCTCIES.	
OTHER:	
OTILIA.	

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME:	VALLEY UTILITIES WATER CO., INC.
Name of System	ADEO Public Water System Number (if applicable)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	1358	22,417	25,143	(2-1)
FEBRUARY	1383	19,655	20,240	
MARCH	1395	19,078	19,975	
APRIL	1403	30,089	31,376	
MAY	1413	31,422	32,254	
JUNE	1401	38,113	39,141	
JULY	1412	43,111	44,030	
AUGUST	1421	28,420	29,621	
SEPTEMBER	1419	27,623	28,070	
OCTOBER	1420	30,577	31,615	
NOVEMBER	1417	24,406	25,635	
DECEMBER	1418	18,713	19,514	
	TOTALS →	333,624	346,614	

	arsenic for each well on your system?	
(If more than one well,)	please list each separately.)	WELL #2 - 12.50 ppb
		WELL #3 - 6.8 ppb
		WELL #4 - 12 ppb
		WELL #5 - 13 ppb
		WELL #6 - 11 ppb
If system has fire h	ydrants, what is the fire flow requireme	ent? <u>1000</u> GPM for <u>2</u> hrs
If system has chlor (X) Yes	ination treatment, does this treatment s () No	ystem chlorinate continuously?
Is the Water Utility (X) Yes	y located in an ADWR Active Managem () No	nent Area (AMA)?
Does the Company	have an ADWR Gallons Per Capita Pe	r Day (GPCPD) requirement?
() Yes	(X)No	
If yes, provide the	GPCPD amount:	
Note: If you are filing j	for more than one system, please provide separa	ate data sheets for each system.

COMPANY NAME VALLEY UTILITIES WATER CO., INC.	YEAR ENDING 12/31/2006
PROPERTY TAXES	
Amount of actual property taxes paid during Calendar Year 2006 was: \$	34,234
Attach to this annual report proof (e.g. property tax bills stamped "paid in fu property tax payments) of any and all property taxes paid during the calenda	ill" or copies of cancelled checks for r year.
If no property taxes paid, explain why	
· · · · · · · · · · · · · · · · · · ·	

VERIFICATION AND SWORN STATEMENT Taxes

VERIFICATION	TION	Δ'n	C	TEL	R	Æ	1
--------------	------	-----	---	-----	---	---	---

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	·
MARICOPA	
NAME (OWNER OR OFFICIAL) TITLE	
ROBERT L. PRINCE, PRESIDENT	
COMPANY NAME	
VALLEY UTILITIES WATER CO., INC.	

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

I	MONTH	DAY	YEAR
۱	12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

	SIGNATURE OF O	WNER OR OFFICIAL
UBSCRIBED AND SWORN TO BEFORE ME	TELEPHONE NUN	4BER
NOTARY PUBLIC IN AND FOR THE COUNTY OF	COUNTY NAME	
THIS DAY OF	монтн	,20
(SEAL)		
	SIGNATUR	E OF NOTARY PUBLIC

COMPANY NAME VALLEY UTILITIES WA	ATER CO., INC.	YEAR ENDING 12/31/2006
INCO	OME TAXES	
For this reporting period, provide the following:		
Federal Taxable Income Reported Estimated or Actual Federal Tax Liability	77,119 14,470	
State Taxable Income Reported Estimated or Actual State Tax Liability	<u>162,302</u> <u>11,304</u>	
Amount of Grossed-Up Contributions/Advances:		
Amount of Contributions/Advances Amount of Gross-Up Tax Collected Total Grossed-Up Contributions/Advances	0 0 0 0	
Decision No. 55774 states, in part, that the utility we of the tax year when tax returns are completed. Put any Payer or if any gross-up tax refunds have alread name and amount of contribution/advance, the amount each Payer, and the date the Utility expects to make	rsuant to this Decision, if gody been made, attach the fount of gross-up tax collected	pross-up tax refunds are due to bllowing information by Payer: d, the amount of refund due to
CERTIFICATION		
The undersigned hereby certifies that the Utility has prior year's annual report. This certification is to be corporation; the managing general partner, if a percompany or the sole proprietor, if a sole proprietors	be signed by the President operatnership; the managing	r Chief Executive Officer, if a
SIGNATURE	DATE	
PRINTED NAME	TITLE	

VERIFICATION AND SWORN STATEMENT Intrastate Revenues Only

VERIFICATION
STATE OF ARIZONA
L, THE UNDERSIGNED

COUNTY OF (COUNTY NAME)

MARICOPA

NAME (OWNER OR OFFICIAL) TITLE

ROBERT L. PRINCE, PRESIDENT

COMPANY NAME

VALLEY UTILITIES WATER CO., INC.

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

 MONTH
 DAY
 YEAR

 12
 31
 2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM <u>ARIZONA INTRASTATE</u> <u>UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:</u>

Arizona Intrastate Gross Operating Revenues Only (\$)

\$______1,294,697

(THE AMOUNT IN BOX ABOVE
INCLUDES \$______68,282
IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE		
STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)	SIGNATURE OF OV	VNER OR OFFICIAL
SUBSCRIBED AND SWORN TO BEFORE ME	TELEPHON	E NUMBER
A NOTARY PUBLIC IN AND FOR THE COUNTY OF	COUNTY NAME	
THIS DAY OF	MONTH	.20
(SEAL)		
MY COMMISSION EXPIRES	SIGNATURE OF NO	FARY PUBLIC

VERIFICATION AND SWORN STATEMENT RESIDENTIAL REVENUE

Intrastate Revenues Only

STATE OF ARIZONA					
The state of the s	COUNTY OF (COUNTY I	NAME) M	ARICOPA		
, THE UNDERSIGNED	NAME (OWNER OR OFF	TCIAL) ROB	ERT L. PRINCE	TITLE PRESIDENT	
OF THE	COMPANY NAME	VALLEY UTIL	ITIES WATER CO., INC.		
OO SAY THAT THIS ANNU	AL UTILITY RE	PORT TO	THE ARIZO	NA CORPORATION	COMMISSION
OR THE YEAR ENDING	MONTH 12	DAY 31	YEAR 2006		
RECORDS OF SAID THE SAME TO BE A UTILITY FOR THE MATTER AND THIN BELIEF.	COMPLETE AND PERIOD COVER	D CORRE RED BY	CT STATEMEI THIS REPORT	NT OF BUSINESS ANI F IN RESPECT TO 1	AFFAIRS OF SA EACH AND EVER
WORN STATEMENT	ſ				•
REVENUE OF SAID RECEIVED FROM RI ARIZONA INTRASTATE GROSS	ESIDENTIAL CUS S OPERATING REVEN	STOMERS	THE AMO	LENDAR YEAR 2006 V OUNT IN BOX AT LEF S \$45,312	<u>VAS</u> : Т
\$ <u>859,155</u>			IN SALES	TAXES BILLED, OR	COLLECTED)
·		N THIS P	AGE		
*RESIDENTIAL REVENU MUST INCLUDE SALES	TAXES BILLED	•		SIGNATURE OF OWNER OR OFFI	CIAL
	TAXES BILLED	•		SIGNATURE OF OWNER OR OFFI TELEPHONE NUMBER	CIAL
MUST INCLUDE SALES	AND SWORN TO		 E ME		CIAL
MUST INCLUDE SALES SUBSCRIBED) BEFORI	<u> </u>	TELEPHONE NUMBER	CIAL
MUST INCLUDE SALES SUBSCRIBED	AND SWORN TO) BEFORI	COUNTY OF	TELEPHONE NUMBER NOTARY PUBLIC NAME	,20
MUST INCLUDE SALES SUBSCRIBED A NOTARY PI	AND SWORN TO	D BEFORE OR THE C	COUNTY OF	TELEPHONE NUMBER NOTARY PUBLIC NAME COUNTY NAME	
MUST INCLUDE SALES SUBSCRIBED A NOTARY PI	AND SWORN TO	D BEFORE OR THE C	COUNTY OF	TELEPHONE NUMBER NOTARY PUBLIC NAME COUNTY NAME	

PARCEL/ACCOUNT# 020-07-900-1

PROPERTY DESCRIPTION

SEC/LOT *** TWN/BLK RNG/TR TOTAL VALUE OF OPERATING PROPERTY

*Property address: SITUS ADDRESS NOT AVAILABLE.

MARICOPA COUNTY 2006 PROPERTY TAX STATEMENT

MARICOPA COUNTY **TREASURER**

DAVID SCHWEIKERT, TREASURER 301 W JEFFERSON ST - RM 100 PHOENIX, AZ 85003-2199 TO UPDATE YOUR MAILING ADDRESS

please go to: http://treasurer.maricopa.gov

1862 1724 *************DIGIT 85340 VALLEY UTILITIES WATER CO INC 12540 W BETHANY HOME RD LITCHFIELD PARK, AZ 85340-9303

SIGN UP FOR "PARCEL WATCH" and receive an e-mail reminder for second half payments. http://treasurer.maricopa.gov

\$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK. YOUR CHECK IS YOUR RECEIPT.

Primary (limited) Assessed Value 366,520	Secondary Assesse	d Value 366,520	Tax Area Co	de: 790000
	CONTACT #	COMPARATIVE 2005 AMT	RATE / 100	2006 AMT DUE
PRIMARY LITCHFIELD ELEMENTARY AGUA FRIA HIGH SCHOOL GENERAL COUNTY FUND COMMUNITY COLLEGE DIST. EDUCATION EQUALIZATION	(623)535-6000 (623)932-7000 (602)506-8511 (480)731-8621 (602)506-8511	6080.87 7228.39 3857.65 2879.62 1404.37	20284 22412 1:1794 8815 0000	7434.50 8214.45 4622.74 3230.87
SUBTOTAL		21450.90	63305	23202.56
SECONDARY FLOOD CONTROL OF MARICOPA COUNTY CENTRAL ARIZONA WATER CONSV. DIST. FIRE DISTRICT ASSISTANCE COUNTY LIBRARY COUNTY HEALTHCARE DISTRICT	(602)506-1501 (623)869-2333 (602)506-8511 (602)652-3000 (602)344-5978	79.72 986.70 22.24 167.90 388.62	12047 12000 10068 10507 11184	1 76.00 1 439.82 1 24.92 1 1185.82 1 433.96
*BONDS** -COUNTY -CITY -SCHOOLS -COMMUNITY COLLEGE SCHOOL DISTRICT OVERRIDES		00 00 6097.52 4444.38 2985.94	0000 0000 17089 1831 8773	
SUBTOTAL SPECIAL DISTRICT # DISTRICT # 30002 PAID OCT 3 0 2006	(623)873-1860	10554.12	32698 0500	1 183.26
Q:#5039 \$ 17,348.19			1	1 1
		32166.14	TOTAL FOR 2006	34696.38

*Property address is provided by the Maricopa County Assessor's Office.

(505493 = PRTCNTL)

DETACH AND RETURN WITH PAYMENT

2006 SECOND HALF PAYMENT STUB **DUE MARCH 1, 2007 DELINQUENT AFTER MAY 1, 2007**

VALLEY UTILITIES WATER CO INC

MAKE CHANGES TO MAILING ADDRESS BELOW OR GO TO http://treasurer.maricopa.gov

MAKE CHECK PAYABLE TO:

Maricopa County Treasurer P O Box 52133 Phoenix, AZ 85072-2133

PARCEL/ACCOUNT#	628-57·	-900-1
-----------------	---------	--------

PRINT THE ABOVE PARCEL / ACCOUNT NUMBER ON YOUR CHECK

U.S. FUNDS ONLY

SECOND HALF	\$17,348.19
-------------	-------------

PLEASE REMEMBER YOUR SECOND HALF PAYMENT IS DUE IN MARCH AND THAT NO ADDITIONAL NOTIFICATION IS SENT.

PAHUEL/AUGUUNI# 020-01-301-0

PROPERTY DESCRIPTION

SEC/LOT®

TWN/BLK ***

RNG/TR

MARICOPA COUNTY TREASURER

DAVID SCHWEIKERT, TREASURER 301 W JEFFERSON ST - RM 100 PHOENIX, AZ 85003-2199

TO UPDATE YOUR MAILING ADDRESS please go to:

http://treasurer.maricopa.gov

TOTAL VALUE OF OPERATING PROPERTY

*Property address: SITUS ADDRESS NOT AVAILABLE.

1662 1724 **********AUTO**5-D VALLEY UTILITIES WATER CO INC 12540 W BETHANY HOME RD LITCHFIELD PARK, AZ 85340-9303 ********AUTO**5-DIGIT 85340

MARICOPA COUNTY 2006 PROPERTY TAX STATEMENT

SIGN UP FOR "PARCEL WATCH" and receive an e-mail reminder for second half payments. http://treasurer.maricopa.gov

\$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK. YOUR CHECK IS YOUR RECEIPT.

Primary (limited) Assessed Value 6,370	Secondary Assesse	ed Value 6,370	Tax Area C	Code: 790001
	CONTACT #	COMPARATIVE 2005 AMT	RATE / 100	2006 AMT DUE
PRIMARY LITCHFIELD ELEMENTARY AGUA FRIA HIGH SCHOOL GENERAL COUNTY FUND COMMUNITY COLLEGE DIST. EDUCATION EQUALIZATION	(623)535-6000 (623)932-7000 (602)506-8511 (480)731-8621 (602)506-8511	122.66 145.80 177.81 55.08 28.33	20284 22412 11794 8815 0000	129.21 142.77 175.13 156.15
SUBTOTAL SECONDARY		i432.68	63305	, A03.26
FLOOD CONTROL OF MARICOPA COUNTY CENTRAL ARIZONA WATER CONSV. DIST. FIRE DISTRICT ASSISTANCE COUNTY LIBRARY COUNTY HEALTHCARE DISTRICT	(602)506-1501 (623)869-2333 (602)506-8511 (602)652-3000 (602)344-5978	13.78 1 7.80 1 44 1 9.38 1 7.84	12047 11200 0068 0507 11184	13.04 7.64 .44 3.22 7.54
*BONDS** -COUNTY -CITY -SCHOOLS -COMMUNITY COLLEGE SCHOOL DISTRICT DYERRIDES		00 00 123 00 8 95 59 84	0000 0000 17089 1831 2773 32699	00 00 108 .86 11 .68 55 .88 208 .28
SUBTOTAL SPECIAL DISTRICT DISTRICT # LITCHFIELD PARK # 2 2350 WEST-MEC 3000 129TH AVENUE 2853	2 (623)873-1860	225.04 00 3.25 13.28	3475 0500 0000	22.14
PAID OCT 3 0 2006 L# SCAO #318.43			. 1	
PH DIO CITE	 	674.26	TOTAL FOR 2006	636.86

*Property address is provided by the Maricopa County Assessor's Office.

(505494 = PRTCNTL)

DETACH AND RETURN WITH PAYMENT

2006 SECOND HALF PAYMENT STUB **DUE MARCH 1, 2007**

VALLEY UTILITIES WATER CO INC

MAKE CHANGES TO MAILING ADDRESS BELOW OR GO TO http://treasurer.maricopa.gov

DELINQUENT AFTER MAY 1, 2007

MAKE CHECK PAYABLE TO:

Maricopa County Treasurer P O Box 52133 Phoenix, AZ 85072-2133

PARCEL/ACCOUNT # 628-57-901-8

PRINT THE ABOVE PARCEL I ACCOUNT NUMBER ON YOUR CHECK

U.S. FUNDS ONLY

SECOND HALF	\$318.43
0000 112	

PLEASE REMEMBER YOUR SECOND HALF PAYMENT IS DUE IN MARCH AND THAT NO ADDITIONAL NOTIFICATION IS SENT.

Your total tax bill is one hundred dollars (\$100.00) or less and must be paid in full on or before November 1, 2006. ARS 42-18052-C

PARCEL/ACCOUNT# 628-58-900-5

PROPERTY DESCRIPTION

MARICOPA COUNTY TREASURER

DAVID SCHWEIKERT, TREASURER 301 W JEFFERSON ST — RM 100 PHOENIX, AZ 85003—2199

TO UPDATE YOUR MAILING ADDRESS
please go to:
http://treasurer.maricopa.gov

SEC/LOT: TWN/BLK RNG/TR
TOTAL VALUE OF OPERATING PROPERTY

*Property address: SITUS ADDRESS NOT AVAILABLE.

IDDZ 1/24 ********AUIU-*5-DIGIT 85340 VALLEY UTILITIES WATER CO INC 12540 W BETHANY HOME RD LITCHFIELD PARK, AZ 85340-9303 MARICOPA COUNTY 2006 PROPERTY TAX STATEMENT

SIGN UP FOR "PARCEL WATCH" and receive an e-mail reminder for second half payments. http://treasurer.maricopa.gov

\$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK. YOUR CHECK IS YOUR RECEIPT.

Primary (limited) Assessed Value 980	Secondary Assess	ed Value 980	Tax Area C	ode: 890000
	CONTACT #	COMPARATIVE 2005 AMT	RATE / 100	2006 AMT DUE
PRIMARY DYSART UNIFIED GENERAL COUNTY FUND COMMUNITY COLLEGE DIST. EDUCATION EQUALIZATION	(623)876-7000 (602)506-8511 (480)731-8621 (602)506-8511	8.94 4.36	511144 11794 8815 0000	1 150.12 1 11.56 1 8.64 1 1 .00
SUBTOTAL SECONDARY FLOOD CONTROL OF MARICOPA COUNT CENTRAL ARIZONA WATER CONSV. DI	[ST. (623)869-2333]	79,90 2,12 1,20	71753 12047 11200 0068	70.32
FIRE DISTRICT ASSISTANCE COUNTY LIBRARY COUNTY HEALTHCARE DISTRICT *BONDS** -COUNTY -CITY -SCHOOLS -COMMUNITY COLLEGE	(602)506-8511 (602)652-3000 (602)344-5978	52 1 20 1 00 1 00 1 5 24 1 1 38	0507 1184 0000 0000 5419 1831	5.31 1.79
SCHOOL DISTRICT OVERRIDES SUBTOTAL SPECIAL DISTRICT DISTRI WEST-MEC	CT # 30002 (623)873-1860	; 11 68 ; 23 40 ; 50	12959 25215 , 0500	24.70
PAID 0.130206			1 1 1	, , 1 1 1 1 1 1
LH 5041 #95.52		103.80	TOTAL FOR 2006	95.52

PUBLIC NOTICE

OF

AN APPLICATION FOR AN ORDER AUTHORIZING THE ISSUANCE OF PROMMISORY NOTES AND OTHER EVIDENCE OF INDEBTEDNESS

AND

AN EMERGENCY INCREASE IN IT RATES BY A SURCHARGE FOR

VALLEY UTILITIES WATER COMPANY INC.

Valley Utilities Water Company, Inc. (Applicant) has filed an Application with the Arizona Corporation Commission (Commission) for an order authorizing Applicant to issue a total of \$250,000 in short term and long tern debt for the purpose of drilling a replacement well for a failed well. The Applicant has also requested approval of a two-step Surcharge necessary to support those loans as follows:

Meter Size	Monthly	Surcharge
	During Short Term Loan	During Long Term Loan
5/8 inch	\$0.33	\$0.89
3/4 inch	\$0.50	\$1.34
1 inch	\$0.83	\$2.23
1 ½ inch	\$1.65	\$4.45
2 inch	\$2.64	\$7.13
3 inch	\$5.28	\$14.25
4 inch	\$8.25	\$22.27
6 inch	\$16.50	\$44.54
8 inch	\$26.40	\$71.27
10 inch	\$37.95	\$102.45
12 inch	\$70.95	\$191.53

The Applications are available for inspection during regular business hours at the offices of the Commission in Phoenix, Arizona, and Applicant's offices at 6880 N. Dysart Road, Suite 112 Glendale, Arizona 85307.

Intervention in the Commission's proceedings on the Financing Application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon the Applicant and which, at a minimum, shall contain the following information:

- 1. The name, address and telephone of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
- 2. A short statement of the proposed intervenor's interest in the proceedings.

- 3. Whether the proposed intervenor desires a formal evidentiary hearing on the Application and the reasons for such a hearing.
- 4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

If you have any questions or concerns about this application of have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington, Phoenix, Arizona 85007 or call 1-800-222-7000.